



NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

FOURTEENTH ANNUAL
MARKETING RESEARCH
STUDY OF HOUSEWARES
MANUFACTURERS

1980

Research by
Bee Angell & Associates, Inc.

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Serving the Housewares Industry since 1938

NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

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April, 1981

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TO MEMBERS OF THE HOUSEWARES INDUSTRY:

The National Housewares Manufacturers Association is pleased to publish its Fourteenth Annual Marketing Research Study of Housewares Manufacturers.

This 1980 study surveyed the exhibitors in our January 1981 National Housewares Exposition. It was undertaken for us by Bee Angell & Associates, Inc., independent market research firm.

The NHMA marketing research study for 1980 offers an authentic picture of the vital American housewares industry at the start of the decade of the '80s. We sincerely hope it proves a useful and valuable marketing tool for all its members.

Additional copies are available upon written request.

NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

Ronald A. Fippinger, Managing Director

RAF:lc

Bee Angell & Associates, Inc.

A Full Service Organization For Marketing Research - Established 1941

One East Superior Street
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April, 1981

BACKGROUND AND PURPOSE

In 1967, the National Housewares Manufacturers Association began annual marketing research studies of housewares manufacturers by surveying exhibitors in its National Housewares Exposition. The purpose of these surveys has been to monitor and track sales and marketing trends.

METHOD

Due to the number, diversity and geographic dispersion of housewares manufacturers, it was determined that a self-administered mail questionnaire is the most effective means for obtaining the desired information.

The anonymity of the responses has been maintained by having the completed questionnaires returned for processing to the certified public accounting firm of Robbins, Baer & Baygood.

For the current study, questionnaires were sent to 1,806 exhibitors in the January 1981 NHMA National Housewares Exposition. The findings summarized in this report are based on the responses of 701 manufacturers, representing 38% of the exhibitors.

In our opinion, the rate of return and the sample size provide a reliable and valid profile of housewares manufacturers who are represented by the NHMA National Housewares Exposition.



Joseph S. Adler
President

HIGHLIGHTS OF THE FINDINGS

Following are highlights of those findings most pertinent to the objectives of the survey and of greatest interest to the housewares industry.

- In 1980, housewares manufacturers' total dollar sales increased by 11% over the previous year, to approximately \$17.5 billion.
- One out of every three housewares manufacturers (33%) reported 1980 total sales over \$5 million.

Of the remaining 67%, 18% reported sales between \$2.5 and \$5 million; while the rest (49%) reported sales under \$2.5 million.

- In 1980, electric housewares accounted for almost one-third (32%) of the housewares industry's total dollar sales, even though representing only one-tenth (10%) of its manufacturers.
- Consistent with a trend that has been evident for the past 14 years, manufacturers' sales directly to retailers reached 81% of total industry sales in 1980. During the same period, sales to wholesalers declined from 52% in 1966, to 19% in 1980.

The industry's 1980 dollar sales to **retailers** were distributed as follows:

Mass Merchandisers	29%
Department Stores	12
Catalog Showrooms	12
Discount Stores	8
All Other	<u>39</u>
	100%

- Color preference trends that have been evident in the past few years were maintained in 1980.

Brown, White and Blue continue to be the most popular for Bath and Closet Accessories.

Almond was the most frequently mentioned color for Kitchen Appliances and Accessories.

For Outdoor Products and Accessories, Green, Yellow and Brown were the most frequently cited colors.

While the mention of Brown for Serving & Buffet Products & Accessories has declined steadily Almond and White have seen consistent growth.

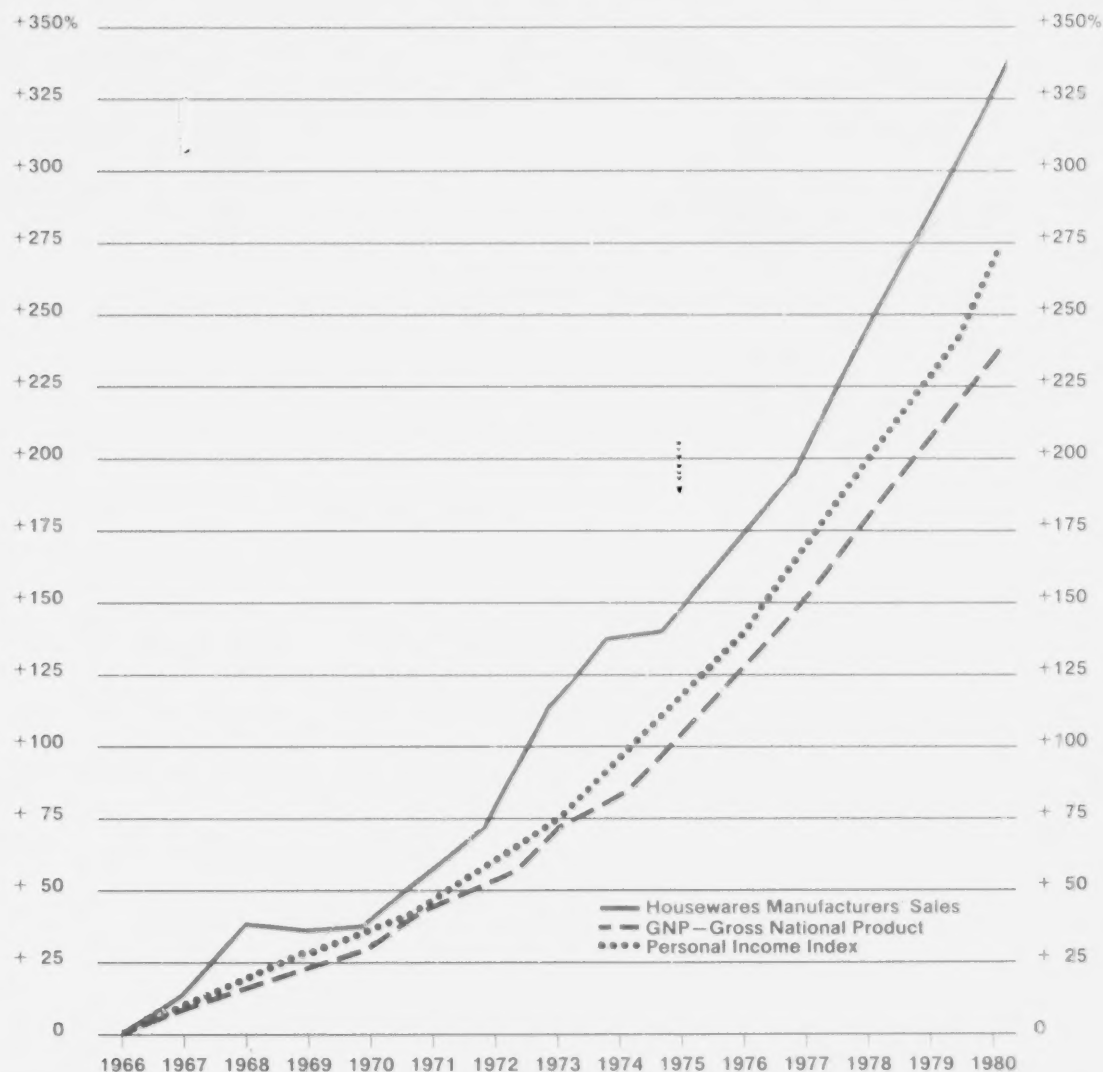
- The current survey indicates that the export of housewares has increased significantly, from 37% of manufacturers in 1975 to 64% in 1980.
- In 1980, 17% of manufacturers reported that 10% or more of their sales were from export, as compared with only 8% five years earlier.

Only one out of three housewares manufacturers (33%) did not have any export sales in 1980.

- In 1980, an average of 81% of manufacturers' orders were filled immediately.
- The average number of days receivables were reported outstanding in 1980 was 51 days. However, the 23% of receivables reportedly paid within 45 days was the lowest since 1975.
- 79% of manufacturers reported their prices were raised by an average of 8.9% in 1980. In addition, 85% stated that they expected to raise their prices in 1981 as well.
- An inventory of the industry's prevailing attitudes and anticipated problems indicates that the most significant concerns pertain to rising interest rates and cost of overhead, as well as collections/accounts receivable time.

PERCENT GROWTH IN HOUSEWARES MANUFACTURERS' SALES COMPARED TO GROSS NATIONAL PRODUCT AND PERSONAL INCOME INDEX

% INCREASE
(1966 BASE)



A comparison of housewares manufacturers' sales with two of the leading economic indicators—Gross National Product and Personal Income Tax—for the years 1966 through 1980 indicates that the industry's growth has been consistent with that of the nation's economy.

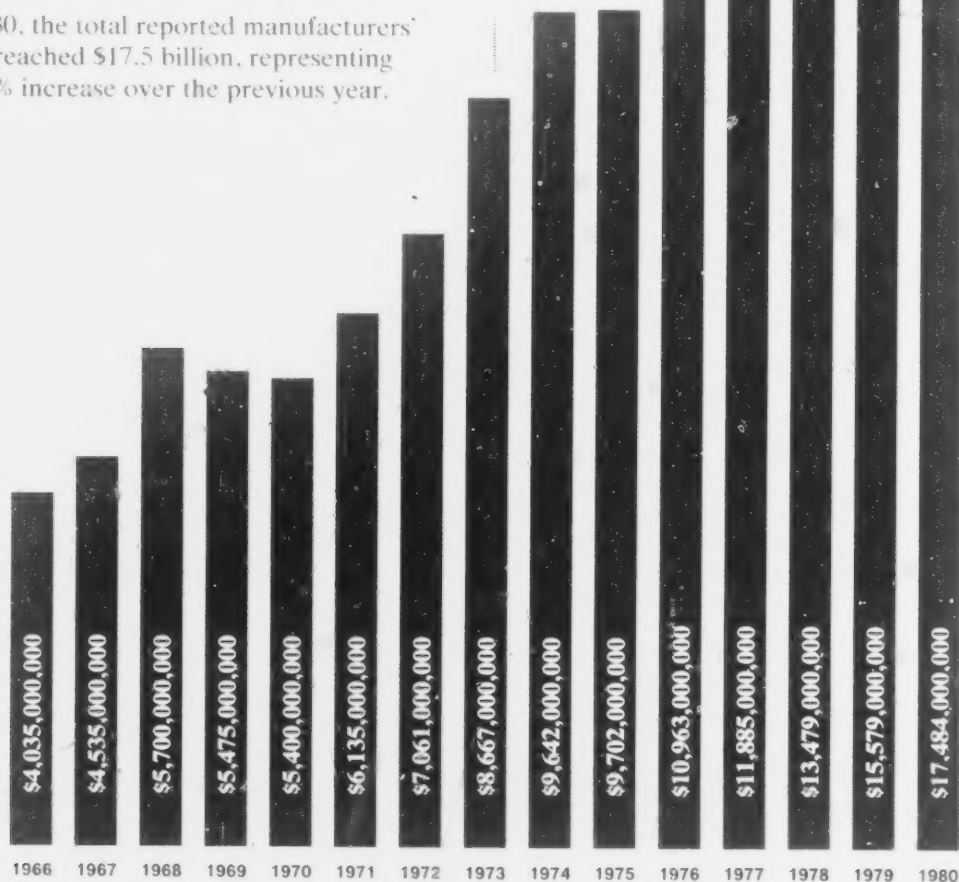
Against 1966 as the base year, housewares sales have increased 333%, while GNP rose 237% and the Personal Income Index increased 270%.

INDUSTRY TRENDS-1966-1980

HOUSEWARES MANUFACTURERS' TOTAL DOLLAR SALES VOLUME

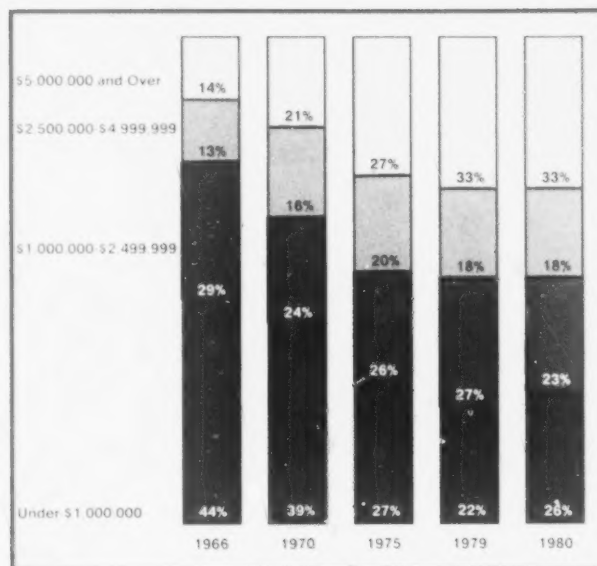
	<u>SALES VOLUME</u>	<u>% INCREASE OVER 1966</u>	<u>CHANGE OVER PREVIOUS YEAR</u>
1966	\$ 4,035,000,000	—	—
1967	4,535,000,000	+ 13%	+13%
1968	5,700,000,000	+ 41	+26
1969	5,475,000,000	+ 36	- 4
1970	5,400,000,000	+ 34	- 1
1971	6,135,000,000	+ 52	+14
1972	7,061,000,000	+ 72	+15
1973	8,667,000,000	+115	+23
1974	9,642,000,000	+139	+11
1975	9,702,000,000	+140	+ 1
1976	10,963,000,000	+172	+13
1977	11,885,000,000	+195	+ 8
1978	13,479,000,000	+234	+13
1979	15,579,000,000	+286	+16
1980	17,484,000,000	+333	+11

In 1980, the total reported manufacturers' sales reached \$17.5 billion, representing an 11% increase over the previous year.



SIZE OF HOUSEWARES MANUFACTURERS— BY DOLLAR SALES VOLUME

	Under \$1,000,000	\$1,000,000- \$2,499,999	\$2,500,000- \$4,999,999	\$5,000,000- and Over
1966	44%	29%	13%	14%
1967	42	27	14	17
1968	37	28	12	23
1969	33	31	14	22
1970	39	24	16	21
1971	35	26	18	21
1972	32	31	17	20
1973	29	28	16	27
1974	28	27	17	28
1975	27	26	20	27
1976	27	28	17	28
1977	25	28	18	29
1978	28	23	20	29
1979	22	27	18	33
1980	26	23	18	33



In 1966, 44% of manufacturers reported sales of under \$1 million, while only 14% reported that their sales exceeded \$5 million.

For 1980, one-third (33%) of the manufacturers reported their sales exceeded \$5 million.

As an expression of the housewares industry's optimism, 40% of manufacturers estimated that their 1981 sales will exceed \$5 million.

SIZE OF HOUSEWARES MANUFACTURERS— BY DOLLAR SALES VOLUME

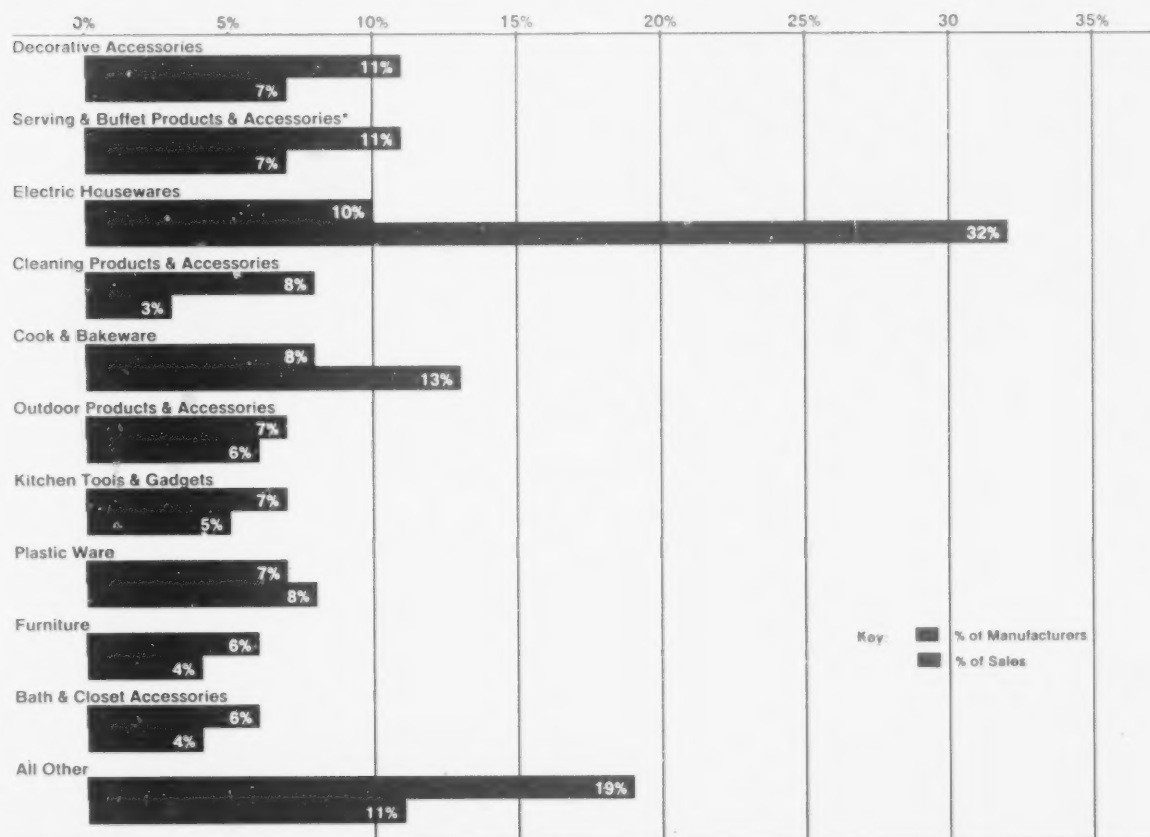
SALES VOLUME	ACTUAL	ESTIMATED
	1980	1981
Under \$1,000,000	26%	18%
\$1,000,000-\$2,499,999	23	24
\$2,500,000-\$4,999,999	18	18
\$5,000,000 and Over	33	40
	100%	100%

DISTRIBUTION OF HOUSEWARES MANUFACTURERS AND SALES- BY PRODUCT CATEGORY

PRODUCT CATEGORY	% OF MANUFACTURERS	% OF SALES
Decorative Accessories	11%	7%
Serving & Buffet Products & Accessories*	11	7
Electric Housewares	10	32
Cleaning Products & Accessories	8	3
Cook & Bakeware	8	13
Outdoor Products & Accessories	7	6
Kitchen Tools & Gadgets	7	5
Plastic Ware	7	8
Furniture	6	4
Bath & Closet Accessories	6	4
All Other	19	11
	100%	100%

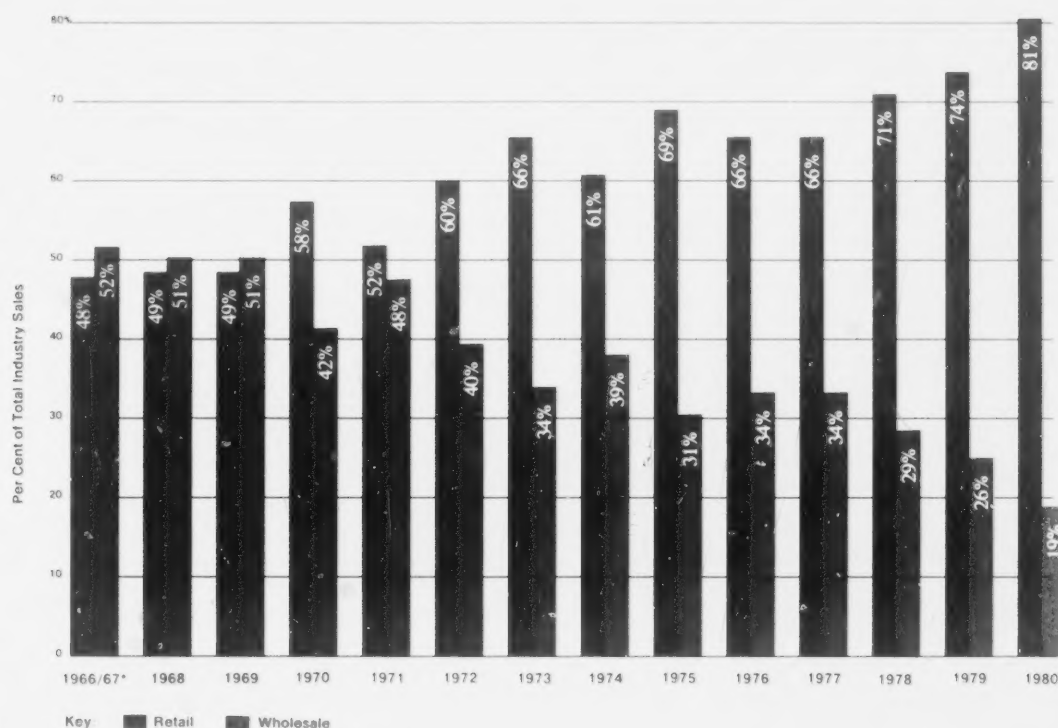
In 1980, Electric Housewares represented 32% of the industry's sales, although concentrated in only 10% of its manufacturers.

Two other categories where percent of sales was proportionately higher than the percent of manufacturers were Cook & Bakeware and Plasticware.



*Includes Dinnerware, Cutlery and Flatware

RATIO OF HOUSEWARES MANUFACTURERS' SALES TO RETAIL VS. WHOLESALE OUTLETS



Consistent with the trend set over the past decade, more than four-fifths (81%) of the industry's sales in 1980 were to retail outlets. Correspondingly, manufacturers' sales to wholesale outlets reached their lowest level (19%) in 1980.

*Two-Year Average

PERCENT OF TOTAL DOLLAR SALES TO RETAIL AND WHOLESALE OUTLETS— BY TYPE OF STORE†

RETAIL OUTLETS	TOTAL 1980	WHOLESALE OUTLETS	TOTAL 1980
Mass Merchandisers	29%	Housewares/Hardware Distributors	38%
Catalog Showrooms	12	Electric Housewares Distributors	16
Department Stores	12	Rack Jobbers	12
Discount Stores	8	Club & Party Plan	7
Hardware Stores	7	Premium Users	6
Drug Stores	7	Drug Distributors	4
Food Stores	6	Premium Distributors	5
Variety Stores	5	Stamp Plan Suppliers	2
Mail Order	3	Variety Distributors	1
Home Centers	2	Jewelry Distributor	*
Buying Syndicates	1	All Other	9
Appliance Retailers	1		
All Other	7		
	100%		100%

† As defined by respondents

* Less than 0.5%

As indicated on the facing page, 81% of manufacturers' sales in 1980 were direct to retailers. Of these, 29% were to Mass Merchandisers, 12% to Catalog Showrooms and 12% to Department Stores. An additional 8% of dollar sales to retailers were to Discount Stores, a category that has not been utilized previously in this ongoing survey. The largest wholesale category is Housewares Hardware Distributors, representing 38% of manufacturers' sales to wholesalers.

It might be noted that manufacturers appear to use the terms "Discount Stores" and "Mass Merchandisers" interchangeably. Similarly, the lines of distinction between some "Department Stores" and "Mass Merchandisers" are not clear-cut for many manufacturers.

To better understand manufacturers' orientation, a "survey-within-a-survey" was conducted among one-half of the participants to determine their categorization of various retail outlets. Results demonstrated the extent of confusion, and are summarized in the following table:

RETAIL OUTLETS	CATALOG SHOWROOM	DEPARTMENT STORE	DISCOUNT STORE	HARDWARE STORE	MASS MERCHANDISER	VARIETY STORE	OTHER	DON'T KNOW/ NOT FAMILIAR
Ace	2%	1%	1%	90%	1%	1%	2%	2%
K Mart	—	1	43	—	52	4	*	—
Kresge	—	2	15	*	14	65	*	4
McDade	36	*	2	*	2	4	1	55
Montgomery Ward	3	46	2	*	32	3	17	3
J. C. Penney	1	55	1	*	28	3	9	2
Sears	2	54	1	*	28	2	10	2
Service Merchandise	73	2	2	—	4	—	2	17
Target	*	1	54	—	38	2	—	7
True Value	*	*	2	91	1	1	2	2
Venture	1	2	44	1	36	1	—	15
Walgreen	—	*	8	—	11	19	55	6
Woolco	—	3	45	*	36	14	1	1
Woolworth	—	2	12	—	15	69	1	1
Zayre	—	3	52	1	36	1	*	7

*Less than 1%

HIGHLIGHTS OF 1980-1981 HOUSEWARES COLOR PREFERENCES BY PRODUCT CATEGORIES

BATH & CLOSET ACCESSORIES	Most Popular 1980	Expected for 1981	OUTDOOR PRODUCTS & ACCESSORIES	Most Popular 1980	Expected for 1981
Brown	25%	17%	Green	24%	20%
White	24	20	Yellow	19	19
Blue	13	14	Brown	13	13
Yellow	9	12	Black	10	7
Almond	8	9	Red	8	6
			White	6	8
KITCHEN APPLIANCES & ACCESSORIES	Most Popular 1980	Expected for 1981	SERVING & BUFFET PRODUCTS & ACCESSORIES	Most Popular 1980	Expected for 1981
Almond	48%	40%	Brown	21%	18%
White	24	26	Almond	18	22
Brown	9	8	White	14	20
Yellow	7	7	Earth Tones	9	8
			Yellow	8	8
			Beige	8	6

Note: Colors cited by 5% or fewer of manufacturers are not included.

Color preference trends set in previous years were maintained in 1980.

Brown, White and Blue continue to be the most popular colors for Bath & Closet Accessories, although the mentions of Yellow and Almond have been steadily increasing in recent years.

For Kitchen Appliances & Accessories, the mention of Almond, at 48%, is the highest noted of any kitchen color since the popularity of Avocado in the early 1970s.

For Outdoor Products & Accessories, the mention of Green has remained high, followed by Yellow and Brown.

The mention of Brown for Serving & Buffet Products & Accessories has declined somewhat, while Almond and White have seen steady growth in the past few years.

INCIDENCE OF EXPORTING — 1980 VS. 1975

<u>% OF MANUFACTURERS EXPORTING</u>	<u>1980</u>	<u>1975</u>
<u>Exported</u>	<u>64%</u>	<u>37%</u>
1% or Less	13	11
2-4	18	12
5	13	5
6-9	5	1
10 or More	17	8

The number of manufacturers who said that they export virtually doubled, from the 37% reported in 1975 to the 64% in 1980.

Of these, about two-thirds (44%) indicated that exports amounted to 5% or less of their total sales in 1980; while 17% stated that 10% or more of their sales were from exports.

<u>ANALYSIS OF 1980 VS. 1975 EXPORTS</u>	<u>% OF MANUFACTURERS</u>
Did not Export in 1980 or 1975	36%
Began Exporting since 1975	27
Increased % of Exports in 1980 over 1975	24
Same % of Exports in 1980 as in 1975	8
Decreased % of Exports in 1980 from 1975	5
	100%

Of all housewares manufacturers, approximately one-third (36%) did not export at all in 1980. In turn, 51% reported that they had increased their exports during the five-year period, 27% of whom were not exporting in 1975.

1980-1981 HOUSEWARES PRICE INCREASES

% AMOUNT OF PRICE INCREASE

% OF MANUFACTURERS

ACTUAL 1980

EXPECTED FOR 1981

1-4%
5
6-9
10
11-14
15
Over 15
x Amount Not Specified

79%

85%

4

10

10

29

29

22

23

8

7

3

2

2

3

1

2

35%

65%

AVERAGE PRICE INCREASE

8.9%

8.4%

In 1980, approximately four out of five housewares manufacturers reported that they had increased their prices during the year. Of these, 35% stated that the price increase was "10% or more," for an average of 8.9%.

Further price increases were reportedly expected for 1981, at an average increase of 8.4%.

	1981	1980	1979	1978	1977	1976	1975	1974
EXPECTED TO INCREASE PRICES	85%	95%	85%	80%	79%	70%	51%	96%
REASONS FOR PRICE INCREASES								
Higher material costs	69	70	45	43	50	42	35	81
Higher labor costs	35	33	23	32	35	34	21	31
Higher overhead costs	15	19	7	3	2	5	2	3
Inflation	16	15	20	13	18	9	7	9
Higher freight costs	10	11	5	7	8	8	4	9
NO PRICE INCREASES EXPECTED	15%	5%	15%	20%	21%	30%	49%	4%

Note: Since some manufacturers mentioned more than one reason, the above table totals more than 100%.

The majority of those manufacturers who reported that they expected to increase their prices in 1981 cited "higher material costs" as the primary reason for the increase. In addition, "higher labor costs," "inflation" and "increased overhead" were also noted.

A comparison with the reasons given in previous years for price increases indicates that the mention of "material costs" increased dramatically over the past few years.

DELIVERY OF ORDERS

% OF ORDERS FILLED

IMMEDIATELY

% OF MANUFACTURERS

	1980	1975
Under 60%	14%	15%
60-69	4	4
70-79	11	14
80-89	16	15
90-99	44	41
100	11	11
	100%	100%
Average % of Orders Filled Immediately	80.8%	80.7%

ACCOUNTS RECEIVABLE

NUMBER OF DAYS

OUTSTANDING

% OF MANUFACTURERS

	1980	1979	1978	1977	1976	1975
<u>Under 45 Days</u>	<u>23%</u>	<u>26%</u>	<u>26%</u>	<u>33%</u>	<u>33%</u>	<u>28%</u>
0-14 Days	*	1	1	1	1	1
15-29	2	2	3	2	3	4
30-44	21	23	22	30	29	23
<u>45 Days or Longer</u>	<u>77%</u>	<u>74%</u>	<u>74%</u>	<u>67%</u>	<u>67%</u>	<u>72%</u>
45-59	48	47	43	41	40	45
60-74	19	22	22	19	22	20
75-89	5	2	5	2	1	2
90 or More	5	3	4	5	4	5
Average Number of Days Outstanding	51	50	54	52	52	52

Since 1973, manufacturers have been asked in each of the surveys to report their "% of orders filled immediately" and the "number of days (their) accounts receivable (were) outstanding."

As seen, the rate of order-filling has remained relatively constant over the years, at an average of approximately 80% "filled immediately."

Correspondingly, although the average number of days receivables were reported "outstanding" remained at approximately 50 days, the reported mention of "paid under 45 days" has declined steadily to 23% reported in 1980.

*Less than 0.5%

PROBLEMS HOUSEWARES MANUFACTURERS ANTICIPATE FOR 1981 (VS. 1979)

	% OF MANUFACTURERS	
	Expected for 1981	Expected for 1979
Higher Costs	49%	28%
Rising Interest Increased Overhead	36	9
Materials	15	14
Labor	6	6
Freight Shipping	6	5
Energy	3	3
Economic Factors	31%	49%
Inflation	16	23
Economic Outlook Tight Money Recession	16	23
Maintaining Profit Margins	3	5
Devaluation of the Dollar	1	5
Collections Accounts Receivable	21%	5%
Changes in Retailers' Buying Attitudes	10%	—
Promotion Marketing-Related Problems	10%	5%
Changes in the Competitive Mix	9%	8%
Production-Related Problems	7%	19%
Changing Consumer Needs Demands	5%	—
Governmental Regulations Controls	2%	7%
No Problems None	1%	2%

Note: Since some manufacturers mentioned more than one problem, the above table totals more than 100%.

During the past few years, housewares manufacturers have been asked to indicate those problems that they felt their companies may be facing.

While the incidence of reported anticipated problems has remained essentially constant, the nature and types of problems that were reported have changed.

The most significant shift has been in the increasing mentions of difficulties pertaining to the financial aspect of operating the business. Specifically, whereas in 1979, 9% cited "rising interest increased overhead," the current report shows an increase to 36% of the respondents citing such problems for 1981. Furthermore, one out of five (21%) of manufacturers indicated difficulties in 1981 in "collections/ accounts receivable," as compared to only 5% two years earlier.

Generally, the mention of comments pertaining to the overall "economic outlook" and "inflation" decreased. This may be partly due to the increased mention of the more specific problems cited above.

An additional observation that is worth noting is in the mention of a perceived "change in retailers' buying attitudes." According to the 10% of manufacturers who cited this as a problem, some retailers are "reducing their inventories" and concentrating on "more utilitarian" and "practical," rather than "luxury" or "high ticket" items.

Only 1% of manufacturers stated that they do not anticipate any problems for 1981.

The purpose of the following unedited comments is to supplement the foregoing observations regarding the prevailing attitudes and concerns for 1981 of some of the responding housewares manufacturers.

"At present, our share of market is growing and our sales increase exceeds inflation by a safe margin. Cash flow, as accounts large and small slow payments due to high interest rates, is a "prime" concern and problem. We are, however, very optimistic about 1981."

"Slow economy makes large chain retailers shy of a new line or a handmade line. Slow economy determines inconsistent sales and inconsistent cash flow. Increased transportation cost hurts sales reps' activity. Tight money for buyers means less lead time on large orders. Manufacturers must face reality that economy will not boom in 1981."

"It is becoming more difficult to collect on accounts receivable, due primarily to high interest rates. This definitely affects the bottom line and cost of carrying our accounts."

"The lack of optimism on the part of the retailer; many are approaching 1981 with such a negative attitude that they are charting a very bad course."

"Trying to make an acceptable return at a time when the cost of money is inordinately high and in a moderate to poor economic climate."

"Rapidly increasing raw material costs, with an inability to secure price protection for reasonable periods from resin suppliers. This will cause uncertainty in ability to offer retailer program price protection for extended periods."

"Selling mass merchandisers on a concept program designed for them. Our growth has been department stores, and now we must attack the mass merchandisers."

"Many of our customers are rural farmers and dealers. They have had two bad seasons in a row, and therefore have trouble paying their bills. If they have a good harvest this year, then we do not expect any problems, as our mass merchants are still paying their bills (mostly on time). I guess the answer to your question is cash flow."

"Product sells well every time we get it in a new outlet. However, buyers are extremely cautious, and are generally unwilling in period of retrenchment to experiment with 'new' product (i.e., product that they used to carry but have not carried for several years), even though price and terms are right. Nevertheless, we tripled number of active accounts in 1980, and believe that growth will continue in 1981."

"Economies have made 'open to buy' by major retailers a problem. Small shipments versus one or two large shipments, which now have created twice as much paperwork and employee hours. Cost of inventory at prime rates of 21% is difficult to deal with."

"Competitive fad and gimmick products advertised with false claims and spurious comparisons. A very definite and effective program should be conducted to halt the flagrant misrepresentation of so-called energy saving devices."

"High interest rates and our inability to collect Receivables on time. Nearly everyone takes an extra 30 days and then makes unauthorized deductions and discounts. Also, we need to develop new products, but are unable and sometimes unwilling to appropriate enough money. Also, customers seem to be unwilling to place orders early for proper production planning."

•

"The problem of attrition on our receivables with department stores, due to unauthorized deductions (advertising, shortage, breakage and incorrect processing of work); or unauthorized returns or refusal of orders."

"Continued increasing cost that must be passed along to the consumer and the ensuing price increases at retail that might result in a lowering of demand."

•

"The only difficulty facing us in 1981 is raising enough capital to grow. The high interest rates make borrowing money costly and investing in a small business less attractive. We pray that the new awareness in our country of conservatism will help both consumer and manufacturer prosper over the long run."

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